
CITY OF LINCOLN, NEBRASKA

SUBSTITUTE ORDINANCE NO. _____
(passed _____, 2004)

**CONSTITUTING THE
SECOND SERIES ORDINANCE
ADOPTED UNDER
ORDINANCE NO. 18088**

AUTHORIZING

WATER REVENUE BONDS

SUBSTITUTE ORDINANCE NO. _____

SECOND SERIES ORDINANCE ADOPTED UNDER AND PURSUANT TO ORDINANCE NO. 18088 OF THE CITY OF LINCOLN, NEBRASKA (THE “CITY”); AUTHORIZING THE ISSUANCE OF WATER REVENUE BONDS OF THE CITY IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED FORTY-FIVE MILLION DOLLARS (\$45,000,000) IN ONE OR MORE SERIES (THE “BONDS”); FIXING IN PART AND PROVIDING FOR THE FIXING IN PART OF THE DETAILS OF THE BONDS; PROVIDING FOR THE SALE OF THE BONDS AND THE APPLICATION OF THE PROCEEDS OF SUCH SALE; TAKING OTHER ACTION IN CONNECTION WITH THE FOREGOING; AMENDING SECTION 7.09 OF ORDINANCE NO. 18088; AND RELATED MATTERS.

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF LINCOLN, NEBRASKA:

ARTICLE I

DEFINITIONS AND STATUTORY AUTHORITY

Section 1.01. Series Ordinance. This Second Series Ordinance is supplemental to, and is adopted in accordance with **Article II**, **Article III** and **Article VIII** of Ordinance No. 18088 (the “**General Ordinance**”) passed by the City Council on November 18, 2002, and approved by the Mayor on November 19, 2002.

Section 1.02. Definitions

(a) All terms that are defined in **Section 1.01** of the General Ordinance shall have the same meanings, respectively, in this Second Series Ordinance as such terms are given in **Section 1.01** of the General Ordinance, except as such terms may be otherwise defined herein.

(b) In this Second Series Ordinance:

“**2004 Bonds**” means the City’s Water Revenue Bonds authorized by Article III of this Second Series Ordinance, which may be issued in one or more series.

“**Continuing Disclosure Certificate**” means each Continuing Disclosure Certificate executed by the City dated the date of issuance and delivery of each series of 2004 Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“**General Ordinance**” means Ordinance No. 18088 of the City of Lincoln, Nebraska, passed by the Council on November 18, 2002 and approved by the Mayor on November 19, 2002.

“Participating Underwriter” shall have the meaning ascribed thereto in the Continuing Disclosure Certificate.

“Paying Agent” means the financial institution selected by the Finance Director to act as paying agent with respect to a series of 2004 Bonds in accordance with the provisions of **Section 4.01** hereof.

“2004 Project” means the acquisition, construction, reconstruction, improving, extending, equipping and furnishing of improvements to the System including, but not limited to, well replacement and additional water supply facilities, replacement of water transmission and distribution mains and security system upgrades for System facilities.

“Registrar” means the financial institution selected by the Finance Director to act as registrar with respect to each series of 2004 Bonds in accordance with the provisions of **Section 4.01** hereof.

“Reserve Requirement” means, with respect to each series of 2004 Bonds, the amount on the date of original issuance and delivery of such series of 2004 Bonds equal to the least of (1) 10% of the stated principal amount of such series of 2004 Bonds, (2) the maximum Debt Service for such series of 2004 Bonds during any Fiscal Year, or (3) 125% of the average annual Debt Service for such series of 2004 Bonds over the term of such series of 2004 Bonds. If the aggregate initial offering price of such series of 2004 Bonds to the public is less than 98% or more than 102% of par, such offering price shall be used in clause (1) in lieu of the stated principal amount.

“Second Series Ordinance” means this Second Series Ordinance.

ARTICLE II

FINDINGS AND DETERMINATIONS

Section 2.01. Improvements to the Water System. In order to meet the needs of the City and its residents for water service, it has been, and is now, necessary, desirable, advisable and in the best interests of the City that certain acquisitions, construction, reconstruction, extension, equipping, and/or furnishing for, of or to the System including, but not limited to, the 2004 Project be made and completed.

Section 2.02. Adoption of General Ordinance. The General Ordinance serves as the basic bond ordinance for the issuance of bonds and other obligations the proceeds of which are used to finance or refinance improvements to the System and which are payable solely from the net revenues of the System. It is necessary, desirable, advisable and in the best interest of the City that revenue bonds be issued in one or more series under and pursuant to the General Ordinance, as supplemented by this Second Series Ordinance, to provide funds for (a) payment of the costs of the 2004 Project and certain other acquisitions, construction, reconstruction, extension, equipping, and/or furnishing for, of or to the System, (b) funding of a debt service reserve fund with respect to each series of 2004 Bonds; and (c) payment of the costs of issuing each series of 2004 Bonds.

ARTICLE III

AUTHORIZATION OF 2004 BONDS

Section 3.01. Principal Amount, Designation and Series. Pursuant to the provisions of the General Ordinance, the 2004 Bonds are hereby authorized in one or more series entitled to the benefit, protection and security of the Ordinance in such aggregate principal amount as shall be determined by the Finance Director pursuant to the provisions of **Section 4.01(a)** hereof, not to exceed Forty-Five Million Dollars (\$45,000,000). Each series of 2004 Bonds shall be designated as determined by the Finance Director in accordance with the provisions of **Section 4.01(a)** hereof, and shall be distinguished from the Bonds of all other series.

Section 3.02. Purpose. The 2004 Bonds are issued for the purpose of (a) paying the costs of the 2004 Project and certain other acquisitions, construction, reconstruction, extension, equipping and/or furnishing for, of or to the System; (b) depositing the Reserve Requirement for each series of 2004 Bonds into the appropriate account established in the Reserve Fund in accordance with the provisions of **Section 3.11** hereof, and (c) paying certain costs of issuance of each series of 2004 Bonds.

Section 3.03. Maturities and Interest. Each series of 2004 Bonds shall mature on the dates and in the principal amounts, and shall bear interest, payable on such dates and at such rates per annum as shall be determined by the Finance Director pursuant to the provisions of **Section 4.01(a)** hereof. The Finance Director shall also establish a record date for the purpose of determining the Owner of each 2004 Bond to which payments of interest on such series of 2004 Bonds should be made. Each series of 2004 Bonds shall bear interest from their dated date as determined by the Finance Director pursuant to the provisions of **Section 4.01(a)** hereof, or, if one or more payments of interest on such series of 2004 Bonds has or have theretofore been made or duly provided for, from the most recent interest payment date to which interest has then been paid or duly provided for.

Section 3.04. Minimum Denomination, Dates, Numbers and Letters. Each series of 2004 Bonds shall be issued as Book-Entry Bonds in such denominations and shall be dated as shall be determined by the Finance Director pursuant to the provisions of **Section 4.01(a)** hereof. Unless the Finance Director shall otherwise direct, each series of 2004 Bonds shall be numbered from R-1 upward.

Section 3.05. Place of Payment and Paying Agent. Except as shall be provided with respect to Book-Entry Bonds, the principal and Redemption Price of each 2004 Bond of a series shall be payable at the office of the Paying Agent appointed for such series in Lincoln, Nebraska. Except as provided with respect to Book-Entry Bonds, the interest on each 2004 Bond of a series shall be payable by check or draft mailed to the persons entitled thereto at the addresses of such persons shown on the registration books of the City kept for that purpose at the office of the Registrar appointed for such series in Lincoln, Nebraska.

Section 3.06. Securities Depository. The Finance Director is hereby authorized and directed to select a Securities Depository for each series of 2004 Bonds and to execute and deliver for and on behalf of the City an agreement or agreements with each such Securities Depository containing such terms and conditions as the Finance Director shall determine to be necessary, desirable or advisable.

Section 3.07. Redemption Prices and Terms. Each series of 2004 Bonds shall be subject to redemption prior to their respective stated maturities at the option of the City on and after such date or dates as shall be determined by the Finance Director in accordance with the provisions hereof, in whole or in part at any time in such principal amounts and from such maturity or maturities as may be selected by the City in its sole discretion (and in the event that less than all of such series of 2004 Bonds of any maturity thereof are called for redemption, the particular 2004 Bonds of such maturity to be redeemed shall be selected by lot) at such Redemption Prices as shall be determined by the Finance Director in accordance with the provisions hereof together with the interest accrued to the date of redemption.

If the 2004 Bonds of any series are issued as term bonds, such term bonds are also subject to mandatory redemption by the City, in part, by lot, prior to maturity only on an interest payment date and upon payment of the principal amount thereof from Sinking Fund Installments at 100% of the principal amount thereof, together with accrued interest thereon to the date of redemption, which Sinking Fund Installments shall be sufficient to redeem on each Payment Date in the years and in such principal amounts as shall be determined by the Finance Director in accordance with the provisions hereof.

The Sinking Fund Installments shall be applied in the manner and according to the procedure set forth in **Section 5.05(b)** of the General Ordinance to the redemption and retirement of any 2004 Bonds issued as term bonds.

Section 3.08. Application of Proceeds of 2004 Bonds. In accordance with **Article II** and **Article III** of the General Ordinance, the proceeds, including accrued interest, of each series of 2004 Bonds shall be received by the City and applied simultaneously with the delivery of such series of the 2004 Bonds as follows:

(a) There shall be deposited in the Bond Fund the amount representing accrued interest on such series of 2004 Bonds, together with such amounts as shall be determined by the Finance Director in accordance with the provisions of **Section 4.01** hereof, for application toward the payment of interest due on such series of 2004 Bonds not longer than the date which is three (3) years from the date of issuance of such series of 2004 Bonds;

(b) There shall be deposited in the account in the Reserve Fund established for such series of 2004 Bonds pursuant to the provisions of **Section 3.11** hereof, the amount required so that the balance in such account in the Reserve Fund shall equal the Reserve Requirement for the series of 2004 Bonds for which such account was established, calculated immediately after the authentication and delivery of such series of 2004 Bonds; and

(c) The balance of the proceeds of each series of 2004 Bonds remaining after the disbursements from said proceeds required by subparagraphs (a) and (b) above shall have been made shall be deposited into the Construction Fund established by the General Ordinance and disbursed as provided by **Section 5.10** of the General Ordinance to pay (i) the costs of the 2004 Project and the costs of certain other acquisitions for, construction and reconstruction to, and extension, equipping and/or furnishing of the System, and (ii) the costs of issuance of each series of 2004 Bonds.

Section 3.09. Tax Covenants.

(a) The City covenants and agrees that (i) it will comply with all applicable provisions of the Code, including Sections 103 and 141 through 150, necessary to maintain the exclusion from gross income for federal income tax purposes of the interest on each series of 2004 Bonds and (ii) it will not use or permit the use of any proceeds of any series of 2004 Bonds or any other funds of the City nor take or permit any other action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest on such series of 2004 Bonds. The City will, in addition, adopt such other ordinances or resolutions and take such other actions as may be necessary to comply with the Code and with all other applicable future laws, regulations, published rulings and judicial decisions, in order to ensure that the interest on each series of 2004 Bonds will remain excluded from federal gross income, to the extent any such actions can be taken by the City.

(b) The City covenants and agrees that (i) it will comply with all requirements of Section 148 of the Code to the extent applicable to each series of 2004 Bonds, (ii) it will use the proceeds of each series of 2004 Bonds as soon as practicable and with all reasonable dispatch for the purposes for which such series of 2004 Bonds are issued, and (iii) it will not invest or directly or indirectly use or permit the use of any proceeds of any series of 2004 Bonds or any other funds of the City in any manner, or take or omit to take any action, that would cause any series of 2004 Bonds to be “arbitrage bonds” within the meaning of Section 148(a) of the Code.

(c) The City covenants and agrees that it will pay or provide for the payment from time to time of all amounts required to be rebated to the United States of America pursuant to Section 148(f) of the Code and any Treasury Regulations applicable to each series of 2004 Bonds from time to time. This covenant shall survive payment in full or defeasance of each series of 2004 Bonds. The City specifically covenants to pay or cause to be paid to the United States of America, the required amounts of rebatable arbitrage at the times and in the amounts as determined by the Arbitrage Instructions. Notwithstanding anything to the contrary contained herein, the Arbitrage Instructions may be amended or replaced if, in the opinion of counsel nationally recognized on the subject of municipal bonds, such amendment or replacement will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any series of 2004 Bonds.

(d) The City covenants and agrees that it will not use any portion of the proceeds of any series of 2004 Bonds, including any investment income earned on such proceeds, directly or indirectly, in a manner that would cause any 2004 Bond to be a “private activity bond.”

(e) The foregoing covenants shall remain in full force and effect notwithstanding the defeasance of each series of 2004 Bonds pursuant to **Article IX** of the General Ordinance or any other provision of the Ordinance, until the final maturity date of all 2004 Bonds Outstanding.

Section 3.10. Form of 2004 Bonds and Registrar’s Certificate of Authentication. The form of the 2004 Bonds and the Registrar’s certificate of authentication shall be of substantially the following tenor, with such variations, omissions and insertions as are required or permitted by the Ordinance:

Registered

Registered

No. R-1

\$ _____

**STATE OF NEBRASKA
COUNTY OF LANCASTER
CITY OF LINCOLN
WATER REVENUE BOND
SERIES 200__**

Date of Issue

Date of Maturity

Rate of Interest

CUSIP No.

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____ DOLLARS

The **CITY OF LINCOLN, NEBRASKA** (the “City”), a city of the primary class and political subdivision and body politic and corporate duly organized and existing under the laws of the State of Nebraska, hereby acknowledges itself indebted to, and for value received, hereby promises to pay, but solely from the source and in the manner herein specified, to the Registered Owner stated above or registered assigns, on the Maturity Date stated above, upon presentation and surrender of this bond at the office of _____, Lincoln, Nebraska (such entity and any successors thereto being referred to as the “**Paying Agent**”), the Principal Amount stated above and in like manner to pay interest thereon, but solely from the source and in the manner herein specified, at the Interest Rate per annum stated above (computed on the basis of a three hundred sixty (360) day year of twelve (12) thirty (30) day months) from the Date of Issue (stated above) or the most recent date to which interest has been paid, payable semiannually on _____ and _____ of each year commencing _____, 200__, until payment in full of the Principal Amount. The interest payable hereon on any interest payment date will, if punctually paid or duly provided for, be paid to the person in whose name this bond is registered at the close of business on the _____ day of the calendar month next preceding such interest payment date (whether or not such day is a business day, the “**Record Date**”), such payment to be made by check or draft mailed by the Paying Agent to such person at the address shown on the registration books of the City kept for that purpose by _____, Lincoln, Nebraska (such entity and any successors thereto being referred to as the “**Registrar**”) at its corporate trust administration office in Lincoln, Nebraska. Any interest not punctually paid or duly provided for on an interest payment date shall cease to be payable to the person in whose name this bond is registered on the Record Date, and instead shall be paid to the person in whose name this bond is registered at the close of business on a special date of record affixed by the Paying Agent for the payment of defaulted interest, notice of which shall be given to the aforesaid record owner not less than ten (10) days prior to such special date of record. The principal of and interest on this bond are payable in any coin or currency of the United States of America which on the respective dates of payment is legal tender for the payment of public and private debts.

This bond is one of a duly authorized series of bonds of the City designated as its “Water Revenue Bonds, Series 200__” (the “**200__ Bonds**”), issued in the aggregate principal amount of \$_____ under and pursuant to and in full compliance with the constitution and laws of the State of Nebraska, including the Charter of the City, and Ordinance No. 18088 and all ordinances

amendatory or supplemental thereto, including particularly Ordinance No. _____, duly passed and adopted by the Council of the City (Ordinance No 18088 and all other ordinances amendatory or supplemental thereto, including Ordinance No. _____, are collectively referred to as the **“Bond Ordinance”**). Pursuant to the provisions of the Bond Ordinance, bonds, notes or other evidences of indebtedness of the City may be issued from time to time in various principal amounts under the authorization of series or ordinances, may mature at different times, may bear interest at different rates and may otherwise vary in manners permitted by the Bond Ordinance. The aggregate principal amount of the bonds, notes or other evidences of indebtedness that may be issued under the Bond Ordinance is not limited except as provided in the Bond Ordinance, and all bonds, notes or other evidences of indebtedness issued and to be issued under the Bond Ordinance are and will be equally secured as hereinafter defined and subject to the covenants of the Bond Ordinance, except as otherwise expressly provided or permitted in the General Ordinance. All bonds, notes or other evidences of indebtedness issued under and pursuant to the Bond Ordinance, as the same may be amended and supplemented from time to time, and equally secured thereby, are hereinafter called the **“Bonds.”**

As provided in the Bond Ordinance, the Bonds are direct and special obligations of the City payable solely from and secured as to payment of the principal or redemption price thereof, and interest thereon, in accordance with the terms and provisions of the Bond Ordinance solely by (a) the proceeds of the sale of the Bonds, (b) the Revenues (as defined in the Bond Ordinance), and (c) all funds established by the Bond Ordinance, including the investments and income, if any, thereof, subject to the provisions of the Bond Ordinance permitting the application thereof for the purposes and on the terms and conditions set forth in the Bond Ordinance. A copy of the Bond Ordinance is on file at the office of the Clerk of the City, and reference to the Bond Ordinance and any and all supplements thereto and modifications and amendments thereof and to the Act (as defined in the Bond Ordinance) is made for a description of the security interest, pledge and assignment and covenants securing the Bonds, the nature, extent and manner of enforcement of such pledge, the rights and remedies of the registered owners of the Bonds with respect thereto, the necessity of or for any approvals or consents, the exercising of any remedies or the taking of certain actions pursuant to the Bond Ordinance, the terms and conditions upon which the Bonds are issued and may be issued thereunder, and for the other terms and provisions thereof.

To the extent and in the manner permitted by the terms of the Bond Ordinance, any provision of the Bond Ordinance may be modified or amended by the City, with the written consent of the registered owners of not less than a majority in principal amount of the Bonds affected by such modification or amendment then outstanding under the Bond Ordinance; provided, however, that, if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain outstanding under the Bond Ordinance, the consent of the registered owners of such Bonds shall not be required and such Bonds shall not be deemed to be outstanding for the purpose of the calculation of outstanding Bonds. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any outstanding Bond, including any sinking fund installment, or of any installment of interest thereon or a reduction in the principal amount or redemption price thereof or in the rate of interest thereon without the consent of the registered owner of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the beneficial owners of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary (as defined in the Bond Ordinance) without its written assent thereto.

The Bond Ordinance also contains provisions permitting the City, without the necessity for the consent of the holder of any Bond, to modify or amend the Bond Ordinance to cure ambiguities or defects in the Bond Ordinance, to clarify the provisions of the Bond Ordinance or to make any other modification or amendment which the City determines will not have a material adverse effect on the interests of the registered owners of the Bonds.

This bond is transferable, as provided in the Bond Ordinance, only upon the books of the Registrar, by the Registered Owner in person, or by such Registered Owner's duly authorized attorney, upon surrender of this bond together with a written instrument of transfer satisfactory to the Registrar duly executed by the Registered Owner or such Registered Owner's duly authorized attorney, and thereupon a new fully registered bond or bonds, without coupons, and in the same aggregate principal amount, shall be issued to the transferee in exchange therefor as provided in the Bond Ordinance, and upon payment of the charges therein prescribed. The City, the Registrar and any Paying Agent, or any successors thereto, may deem and treat the person in whose name this bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal, premium, if any, and interest due hereon and for all other purposes.

The 200__ Bonds are issuable in the form of fully registered Bonds, without coupons, in the denominations of \$5,000 or any integral multiple of \$5,000.

The 200__ Bonds are subject to redemption prior to maturity, upon notice as hereinafter provided, (a) by operation of the Bond Fund established under the Bond Ordinance to satisfy the Sinking Fund Installments (i) with respect to the 2004 Bonds, maturing _____, _____ commencing on _____ and on each _____, thereafter, (ii) with respect to the 200__ Bonds maturing _____, _____, commencing on _____ and on each _____, thereafter and (iii) with respect to the 200__ Bonds maturing _____, _____, commencing on _____, and on each _____, thereafter, and _____, at 100% of the principal amount thereof together with accrued interest, if any, to the redemption date and (b) in the case of the 200__ Bonds maturing on and after _____, at the election of the City on or after _____, at any time, as a whole or in part (if in part, the maturity or maturities to be redeemed to be selected by the City in its sole discretion), at the respective redemption prices (expressed as percentages of the principal amount of the 200__ Bonds or portions thereof to be redeemed) set forth below, in each case together with accrued interest to the redemption date:

Period During Which Redeemed
(both dates inclusive)

Redemption
Prices

If less than all of the 200__ Bonds of like maturity are to be redeemed, the particular 2004 Bonds to be redeemed shall be selected by the Registrar.

The 200__ Bonds are payable upon redemption at the office of the Paying Agent. Notice of redemption, setting forth the place of payment, shall be given by first class mail, postage prepaid, to the registered owners of the 200__ Bonds to be redeemed sent not less than thirty (30) days nor more than sixty (60) days prior to the redemption date, but the failure to give notice by mail, or any defect in such

notice, to the registered owner of any 200__ Bond will not affect the validity of the proceedings for the redemption of any other 200__ Bonds. If notice of redemption shall have been given as aforesaid, the 200__ Bonds or portions thereof specified in said notice shall become due and payable on the redemption date therein fixed, and if, on the redemption date, moneys for the redemption of all the 200__ Bonds or portions thereof to be redeemed, together with interest to the redemption date, shall be available for such payment on said date, then from and after the redemption date interest on such 200__ Bonds or portions thereof so called for redemption shall cease to accrue and be payable.

The principal of, premium, if any, and interest on this bond shall be payable solely from the Revenues and other funds of the City as provided in the Bond Ordinance, and neither the State of Nebraska nor any political subdivision (other than the City) shall be obligated to pay the principal or redemption price hereof or the interest hereon and neither the faith and credit nor the taxing power of the State of Nebraska or any political subdivision thereof is pledged to the payment of the principal of, premium, if any, or interest on this bond. No registered owner of a Bond, or receiver or trustee in connection with the payment of the Bonds, shall have any right to compel the State of Nebraska or any political subdivision thereof to exercise its appropriation or taxing powers for the purpose of receiving payment of the principal or redemption price of or interest on this bond. No director, officer, agent or employee of the City shall be individually or personally liable for the payment of the principal or redemption price of or interest on this bond.

AS PROVIDED IN THE BOND ORDINANCE REFERRED TO HEREIN, UNTIL THE TERMINATION OF THE SYSTEM OF BOOK-ENTRY-ONLY TRANSFERS THROUGH [NAME OF SECURITIES DEPOSITORY] (TOGETHER WITH ANY SUCCESSOR SECURITIES DEPOSITORY APPOINTED PURSUANT TO THE BOND ORDINANCE), AND NOTWITHSTANDING ANY OTHER PROVISIONS OF THE BOND ORDINANCE TO THE CONTRARY, A PORTION OF THE PRINCIPAL AMOUNT OF THIS BOND MAY BE PAID OR REDEEMED WITHOUT SURRENDER HEREOF TO THE PAYING AGENT. [NAME OF SECURITIES DEPOSITORY] OR A NOMINEE, TRANSFEREE OR ASSIGNEE OF [NAME OF SECURITIES DEPOSITORY] OF THIS BOND MAY NOT RELY UPON THE PRINCIPAL AMOUNT INDICATED HEREON AS THE PRINCIPAL AMOUNT HEREOF OUTSTANDING AND UNPAID. THE PRINCIPAL AMOUNT HEREOF OUTSTANDING AND UNPAID SHALL FOR ALL PURPOSES BE THE AMOUNT DETERMINED IN THE MANNER PROVIDED IN THE BOND ORDINANCE.

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED OFFICER OF [NAME OF SECURITIES DEPOSITORY] TO THE REGISTRAR FOR REGISTRATION OF TRANSFER OR EXCHANGE OR TO THE PAYING AGENT FOR THE PAYMENT OF THE PRINCIPAL OR REDEMPTION PRICE HEREOF, AND/OR UNLESS ANY BOND ISSUED IN REPLACEMENT HEREOF OR SUBSTITUTION HEREFOR IS REGISTERED IN THE NAME OF [NAME OF SECURITIES DEPOSITORY] AND ANY PAYMENT IS MADE TO [NAME OF SECURITIES DEPOSITORY OR ITS NOMINEE], ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL BECAUSE ONLY THE REGISTERED OWNER HEREOF, [NAME OF SECURITIES DEPOSITORY OR ITS NOMINEE], HAS AN INTEREST HEREIN.

IT IS HEREBY CERTIFIED AND RECITED that all conditions, acts and things required by law and the Bond Ordinance to exist, to have happened and to have been performed precedent to and in the issuance of this bond, exist, have happened and have been performed and that the 200__ Bonds,

together with all other indebtedness of the City, comply in all respects with the applicable laws of the State of Nebraska.

This bond shall not be entitled to any benefit under the Bond Ordinance or be valid or become obligatory for any purpose until this bond shall have been authenticated by the manual signature of the Registrar on the Certificate of Authentication hereon.

IN WITNESS WHEREOF, THE CITY OF LINCOLN, NEBRASKA has caused this bond to be signed in its name and on its behalf by the manual or facsimile signature of its Mayor, and its corporate seal (or a facsimile thereon) to be hereunto affixed, imprinted, engraved or otherwise reproduced and countersigned by the manual or facsimile signature of its Finance Director.

Dated: _____, 2004.

CITY OF LINCOLN, NEBRASKA

B

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Mayor

COUNTERSIGNED: Registered in the Finance
Department of the City of
Lincoln, Nebraska

Finance Director

[FORM OF REGISTRAR'S CERTIFICATE OF AUTHENTICATION]

REGISTRAR'S CERTIFICATE OF AUTHENTICATION

This Bond is one of the 2004 Bonds described in the within-mentioned Bond Ordinance.

_____, as Registrar
By _____
Authorized Signature

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

Print or Type Name, Address and Social Security Number
or other Taxpayer Identification Number of Transferee

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ agent to transfer the within Bond on the Bond Register kept by the Paying Agent for the registration thereof, with full power of substitution in the premises.

Dated: _____

NOTICE: The signature to this assignment must correspond with the name of the Registered Owner as it appears upon the face of the within Bond in every particular.

Signature Guaranteed By:

Name of Eligible Guarantor Institution as defined by SEC Rule 17 Ad-15 (17 CFR 240.17 Ad-15)

By: _____
Title: _____

Section 3.11. Debt Service Reserve Fund. The City shall establish within the Debt Service Reserve Fund an account for each series of 2004 Bonds issued pursuant to this Second Series Ordinance to be held by the City into which the amount specified in **Section 3.08(b)** hereof shall be deposited. All

amounts deposited into each account in the Debt Service Reserve Fund shall be held and administered in accordance with the provisions of **Section 5.06** of the General Ordinance.

ARTICLE IV

ADDITIONAL PROVISIONS RELATED TO THE 2004 BONDS

Section 4.01. Sale, Principal Amount, Interest Rates, Redemption Provisions and Other Terms of 2004 Bonds.

(a) Each series of 2004 Bonds or any portion thereof may be sold by the Finance Director on such date and at a price not less than ninety-nine percent (99.00%) of the principal amount thereof at public sale, or the Finance Director may negotiate for the sale of such Series of 2004 Bonds or may offer and sell the same at negotiated sale at one time or from time to time at a price or prices in each case not less than ninety nine percent (99.00%) of the principal amount thereof. In connection with and as a part of such sale or sales, the Finance Director shall fix (i) the dated date; (ii) the principal amount of each series of 2004 Bonds including the principal amounts of the respective Serial Bonds and Term Bonds of each series of 2004 Bonds; provided, however that the aggregate amount of such 2004 Bonds shall not exceed Forty-Five Million Dollars (\$45,000,000) but may be less than that amount; (iii) the rate or rates of interest to be borne by each maturity of each series of 2004 Bonds; provided that yield on the 2004 Bonds shall not exceed six percent (6.00%); (iv) the principal amount of each series of 2004 Bonds maturing in each year; (v) the Sinking Fund Installments due and the dates thereof with respect to each series of 2004 Bonds in each year for which the Finance Director determines that a Sinking Fund Installment shall be due; (vi) the dates upon which each series of 2004 Bonds will be subject to redemption at the option of the City and the redemption price, not to exceed one hundred four percent (104%), payable upon the redemption of such series of 2004 Bonds and (vii) the identity of the Registrar and the Paying Agent for each series of the 2004 Bonds and the form and contents of any agreement(s) under which the Registrar and the Paying Agent would serve in such respective capacities with respect to each series of 2004 Bonds. Upon the delivery of and payment for any series of 2004 Bonds, the purchasers shall also pay to the City the interest accrued on such series of 2004 Bonds from the date thereof to the date of delivery of and payment therefor.

The Finance Director shall report from time to time to the City Council the purchase price of each series of 2004 Bonds sold and the principal amount, maturities, Sinking Fund Installments and other terms thereof established in accordance with the provisions of this Second Series Ordinance.

(b) The Finance Director is hereby authorized to impose such additional covenants, restrictions, terms and conditions with respect to each series of 2004 Bonds as shall be required by any rating agency to maintain the ratings in effect with respect to each series of 2004 Bonds on the date of adoption of this Second Series Ordinance.

Section 4.02. Ratification of Prior Actions; General and Specific Authorizations.

(a) All actions heretofore taken by the City, the Finance Director and all other officers, officials, employees and agents of the City, including, without limitation, the expenditure of funds, and the selection, appointment and employment of consulting engineers, accountants, financial advisors, underwriter(s) and bond counsel, in connection with the issuance and sale of each series of 2004 Bonds, together with all other actions taken in connection with any of the matters which are the subject hereof, are in all respects authorized, adopted, specified, accepted, ratified, approved and confirmed.

(b) Without in any way limiting the power, authority or discretion granted or delegated elsewhere in this Second Series Ordinance, the City Council hereby (i) authorizes and directs the Mayor, Finance Director, City Treasurer, City Clerk, City Attorney, and all other officers, officials, employees and agents of the City to carry out or cause to be carried out, and to perform such obligations of the City and such other actions as they, or any of them, in consultation with bond counsel, the underwriter(s) of each series of 2004 Bonds and their respective counsel, shall consider necessary, advisable, desirable or appropriate in connection with this Second Series Ordinance and the General Ordinance, any bond purchase agreement for each series of 2004 Bonds, the preliminary and final official statement of the City used in connection with the issuance and sale of each series of 2004 Bonds, and the issuance, sale and delivery of each series of 2004 Bonds, including, without limitation, and whenever appropriate, the execution and delivery thereof and of all other related documents, instruments, certifications and opinions, and (ii) delegates, authorizes and directs the Finance Director the right, power and authority to exercise his own independent judgment and absolute discretion in (A) determining and finalizing the terms, provisions, form and contents of any bond purchase agreement, each series of 2004 Bonds and the preliminary and final official statement hereinbefore mentioned, (B) determining and finalizing all other terms and provisions to be carried by each series of 2004 Bonds not specifically set forth in this Second Series Ordinance or in the General Ordinance, and (C) the taking of all actions and the making of all arrangements necessary, proper, appropriate, advisable or desirable in order to effectuate the issuance, sale and delivery of each series of 2004 Bonds. The execution and delivery by the Finance Director or by any such other officer, official, employee or agent of any such documents, instruments, certifications and opinions, or the performance by them of any act in connection with any of the matters which are the subject of this Second Series Ordinance, of the General Ordinance, and of each of the other documents referred to herein, shall constitute conclusive evidence of both the City's and their approval of the terms, provisions and contents thereof and all changes, modifications, amendments, revisions and alterations made therein and shall conclusively establish their absolute, unconditional and irrevocable authority with respect thereto from the City and the authorization, approval and ratification by the City of the documents, instruments, certifications and opinions so executed and the actions so taken.

Section 4.03. Insertion in Copies Hereof of Terms and Identification Information. For the convenience of the City, the Registrar, the Paying Agent, and the Owners from time to time of the 2004 Bonds, there may be inserted, marked or noted in the body of copies of this Second Series Ordinance or in attachments or appendices to such copies (which attachments or appendices may or may not be referred to in the body of such copies) any of the terms of any series of 2004 Bonds fixed in accordance herewith and the other provisions hereof to be borne by the 2004 Bonds.

Section 4.04. Continuing Disclosure. The City hereby covenants and agrees that it will comply with and carry out all of the provisions of each Continuing Disclosure Certificate. Notwithstanding any other provision of this Second Series Ordinance, failure of the City to comply with any Continuing Disclosure Certificate shall not be considered an Event of Default; however, any Participating Underwriter or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City to comply with its obligations under this Section. For purposes of this Section, **“Beneficial Owner”** means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, the 2004 Bonds of any series (including persons holding such series of 2004 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of a 2004 Bond of any series for federal income tax purposes.

ARTICLE V

AMENDMENT OF SECTION 7.09 OF ORDINANCE NO. 18088

Section 5.01 Amendment of Section 7.09 of Ordinance No. 18088. Section 7.09 of Ordinance No. 18088 is hereby amended to read as follows:

Section 7.09. Senior Lien Bonds; Additional Bonds. (a) The City covenants and agrees that so long as any of the Bonds remain Outstanding, the City will not issue any additional bonds or incur or assume any other debt obligations appearing as liabilities on the balance sheet of the City for the payment of moneys determined in accordance with generally accepted accounting principles including capital leases as defined by generally accepted accounting principles, payable out of the Revenues of the System or any part thereof which are superior to the Bonds.

(b) The City covenants and agrees that so long as any of the Bonds remain Outstanding, it will not issue any Additional Bonds payable out of the Net Revenues of the System or any part thereof which stand on a parity or equality with the Bond unless the following conditions are met:

(i) The City shall not be in default in the payment of principal of or interest on any Bonds at the time Outstanding hereunder or in making any payment at the time required to be made into the respective funds and accounts created by and referred to in this Ordinance (unless such additional revenue bonds or obligations are being issued to provide funds to cure such default); and

(ii) The City shall have satisfied either of the following:

(A) The annual Net Revenues derived by the City from the operation of the System for the Fiscal Year immediately preceding the issuance of such Additional Bonds shall have been equal to at least 125% of the maximum annual Debt Service required to be paid from the Net Revenues in any succeeding Fiscal Year on account of both principal (at maturity or through a Sinking Fund

Installment) and interest becoming due with respect to all Outstanding Bonds of the City, including the Additional Bonds proposed to be issued; or

(B) An Independent Consultant shall project that the annual Net Revenues to be derived by the City from the operation of the System for the Fiscal Year immediately following the Fiscal Year in which the improvements to the System, the cost of which is being financed by such Additional Bonds, are to be in use and operation, shall be equal to at least 125% of the maximum annual Debt Service required to be paid out of the Net Revenues in any succeeding Fiscal Year following such use or operation on account of both principal (at maturity or through a Sinking Fund Installment) and interest becoming due with respect to all Outstanding Bonds of the City, including the Additional Bonds proposed to be issued. In determining the projected Net Revenues for the purpose of this subsection, the Independent Consultant may adjust the Net Revenues by adding thereto any estimated increase in Net Revenues resulting from any increase in rates for the use and services of the System which, in the opinion of the Independent Consultant, are economically feasible and reasonably considered necessary based on projected operations of the System.

Additional Bonds issued under the conditions set forth in this Section shall stand on a parity with the Bonds and shall enjoy complete equality or lien on and claim against the Net Revenues with the Bonds, and the City may make equal provision for paying said Additional Bonds and the interest thereon out of the Revenue Fund.

ARTICLE VI

Miscellaneous

Section 6.01. Headings, Table of Contents. The headings of sections of this Second Series Ordinance, and any table of contents attached to copies hereof, are set forth therein or are attached to such copies solely for convenience of reference only and shall not affect the construction or interpretation of this Second Series Ordinance or of any section hereof.

Section 6.02. Publication and Effectiveness of Second Series Ordinance. This Second Series Ordinance, after its passage, shall in lieu of and in place of newspaper publication, be posted by the City Clerk in the manner provided for in Article VII, Section 7 of the Charter of the City, and shall take effect and be in force from and after its passage and posting in accordance with Article VII, Section 7 of the Charter of the City. Further, the City Clerk shall publish once in the Lincoln Journal-Star, newspapers published and of general circulation in the City, a notice of such passage in substantially the following form:

Notice is hereby given that on _____, 2004, the City Council of the City of Lincoln, Nebraska passed Ordinance No. _____ entitled: [here shall be set forth the title of this Second Series Ordinance].

Notice is hereby further given that said Ordinance No. _____ was approved by the Mayor of the City of Lincoln, Nebraska, on _____, 2004.

Copies of said Ordinance No. _____ are on file in the office of the City Clerk of the City of Lincoln, Nebraska, Room _____, _____ Building, 555 South 10th Street, Lincoln, Nebraska 68508, and are available for examination by the public.

[The remainder of this page intentionally left blank.]

INTRODUCED BY:

PASSED _____, 2004.

AYES: _____

NAYS: _____

ABSENT OR NOT VOTING:

Approved as to Form:

City Attorney

Bond Counsel

CONFLICT OF INTEREST:

APPROVED: _____, 2004.

Mayor